

**NEW JERSEY
1115 PHARMACY PLUS DEMONSTRATION**

FACT SHEET

Name of Section 1115 Demonstration: Pharmaceutical Assistance for the Aged and Disabled (PAAD)

Date Proposal Submitted: March 28, 2002

Date Proposal Approved:

Requested Implementation Date: July 1, 2002

Summary

The New Jersey Department of Human Services (DHS) submitted a proposal on April 3, 2002, to seek 1115 authority for a demonstration project to enable the state to receive Medicaid funds for its current state-funded Pharmacy Assistance to the Aged and Disabled program (PAAD). PAAD, which was established in 1975, is available to New Jersey residents and offers a Medicaid funded pharmaceutical benefit to people age 65 and older who are at or below 200% of the Federal Poverty Level (FPL), and to people aged 18 and older who receive Title II Social Security Disability benefits, who are at or below 222% of the Federal Poverty Level. PAAD pays for FDA approved prescription drugs, insulin, insulin needles, certain diabetic testing materials and syringes and needles for injectable medicines used for the treatment of multiple sclerosis. For drugs to be covered under this program, they must be purchased within the state and must be drugs whose manufacturers have agreed to provide Medicaid rebates to the state.

Other Features:

- No assets test
- Aged 65 or older
- Aged 18 or older who receive Title II Disability benefits
- No annual enrollment fee
- Co-payment: \$5 for each prescription and, for brand name drugs for which there are generic equivalent, \$5 co-payment plus the difference between the cost of brand name drugs and the generic prescription.
- Prescription drug benefit same as state's current Medicaid state plan
- No aggregate cap

Issues: Budget Neutrality

Generally, states must agree to an aggregate cap on the costs of the portion of the Medicaid program to which savings are expected to accrue. New Jersey's proposal on budget neutrality does not fit the model, because it has had a comprehensive state-only funded pharmacy program operating for many years, so currently there is no budget agreement with the state. New Jersey does not propose program expansions or budget reducing strategies that will result in Medicaid savings as did other states with state-only funded pharmacy programs. The state proposes achieving budget neutrality based on its plan to stop funding the state-only program in the fall because of a state budget crisis—and that the federal approval will assist the state in diverting those individuals that would have come on to Medicaid had the state-only program funds been cut and the program ended.

Current Status

As a result of the July 1 conference call with the state, revised budget neutrality worksheets were submitted. The state appears to be more willing to use a modified aggregate Cap but still does not meet the Pharmacy Plus model. On September 10, a conference call was held to discuss the revised worksheets. A follow up call will be scheduled later in September for further discussions.

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